

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
TOWN OF MOUNT AYR  
NEWTON COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
10/11/2006



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Rebecca M. Long

01-01-04 to 12-31-07

President of the Town Council

Andrea Bales  
Robert Zenor

01-01-04 to 12-31-05  
01-01-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MOUNT AYR, NEWTON COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Mount Ayr (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 5, 2006

TOWN OF MOUNT AYR  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ (7,532)	\$ 26,349	\$ 13,390	\$ 5,427
Motor Vehicle Highway	4,932	4,092	4,968	4,056
Local Road and Street	(138)	909	-	771
City and Town Court Costs	2,620	198	-	2,818
Cumulative Capital Improvement	8,445	549	-	8,994
Cumulative Building	25,527	106,833	65,356	67,004
Postal	9,000	4,800	-	13,800
Totals	<u>\$ 42,854</u>	<u>\$ 143,730</u>	<u>\$ 83,714</u>	<u>\$ 102,870</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 5,427	\$ 13,593	\$ 16,122	\$ 2,898
Motor Vehicle Highway	4,056	5,398	3,767	5,687
Local Road and Street	771	914	-	1,685
City and Town Court Costs	2,818	-	-	2,818
Cumulative Capital Improvement	8,994	455	-	9,449
Cumulative Building	67,004	132,747	13,864	185,887
Postal	13,800	4,800	-	18,600
Totals	<u>\$ 102,870</u>	<u>\$ 157,907</u>	<u>\$ 33,753</u>	<u>\$ 227,024</u>

The accompanying notes are an integral part of the schedules.

TOWN OF MOUNT AYR  
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF MOUNT AYR  
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BONDS

The following official bonds were not filed in the Office of the County Recorder:

Rebecca M. Long, Clerk-Treasurer	01-01-04 to 01-01-05
Rebecca M. Long, Clerk-Treasurer	01-01-05 to 01-01-06

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . "

CAPITAL ASSET RECORDS

The Town does not maintain a listing of its capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

Receipts were deposited later than the next business day. A similar comment was noted in prior Report B23744.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

FEDERAL AND STATE AGENCIES – COMPLIANCE REQUIREMENTS

We noted payments to officials and employees were made without payroll deductions for taxes. However, 1099's were issued to those who received more than \$600 during the year. A similar comment was noted in prior Report B23744.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MOUNT AYR  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

POSTING ERROR

In January of 2004, the Newton County Auditor made a supplemental distribution of CAGIT funds. This was deposited and receipted into the Town's General Fund. The Town Council should have established a Rainy Day Fund and the Clerk-Treasurer should have receipted it into that fund.

Public Law 267, Acts of 2003, changed the method of distributing CAGIT, COIT and CEDIT revenue. Indiana Code 6-3.5-1.1-21.1, Indiana Code 6-3.5-6-17.3 and Indiana Code 6-3.5-7-17.3 state that if the Department of Revenue determines that an excess of the amounts required to make distributions of CAGIT, COIT or CEDIT exists, such excess shall be distributed in a supplemental distribution in January of the ensuing budget year. Any supplemental distributions received shall be deposited in the city or town's rainy day fund. Cities and Towns Bulletin and Uniform Compliance Guidelines, Issued by the State Board of Accounts, December 2003.

TIMELY RECORDKEEPING

We noted that a distribution of Motor Vehicle Highway funds dated April 4, 2004, was not recorded to the Town's Motor Vehicle Highway fund. We later discovered that the same amount was recorded to another fund in May as a correction entry so the records could reconcile to the depository. The distribution check was found to have been deposited in April but no receipt had been issued. Had a receipt been issued timely at the time the distribution was received this error could have been avoided.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with Indiana Code 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

The Ledger of Appropriations, Encumbrances, Disbursements and Balances (City or Town Form 209) was not in use.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECORDS NOT AVAILABLE FOR REVIEW

Some bank statements for the examination period were not made available for review.

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MOUNT AYR  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

LACK OF ITEMIZATION ON CLAIMS

Claims during the audit period were not adequately itemized. A similar comment was noted in prior Reports B11723 and B23744.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) the fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

TOWN OF MOUNT AYR  
EXIT CONFERENCE

The contents of this report were discussed on September 5, 2006, with Rebecca M. Long, Clerk-Treasurer. The official concurred with our findings.